

CITY OF OZAWKIE, KANSAS

REGULATORY BASIS FINANCIAL STATEMENTS
For the year ended December 31, 2014

And

INDEPENDENT AUDITOR'S REPORT

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CITY OF OZAWKIE, KANSAS

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Karlin & Long, LLC
Certified Public Accountants

The Honorable Mayor and City Council
524 Kiowa
Ozawkie, Kansas 66070

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the City of Ozawkie, Kansas as of and for the year ended December 31, 2014, and the related notes to the financial statement.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1 to meet the financial reporting requirements of the State of Kansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable for financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the *Kansas Municipal Audit and Accounting Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the

reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the City of Ozawkie to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Ozawkie as of December 31, 2014, or changes in financial position and cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the City of Ozawkie, Kansas as of December 31, 2014, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with “Government Auditing Standards”, we have also issued our report dated December 14, 2015 on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control of financial reporting and compliance and the results of that testing, and not to provide an opinion on internal

control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Audit Standards" in considering City of Ozawkie, Kansas' internal control over financial reporting and compliance.

Report on Supplementary Information

Our audit was conducted for the purpose of forming opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget, and schedule of receipts and expenditures – nonbudgeted funds (Schedules 1, 2 and 3 as listed in the table of contents) are presented for purposes of additional analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

A handwritten signature in black ink that reads "Karlin & Long, LLC". The signature is written in a cursive, flowing style.

Karlin & Long, LLC
Certified Public Accountants

Lawrence, KS
December 14, 2015

CITY OF OZAWKIE, KANSAS
 Summary Statement of Receipts, Expenditures, and Unencumbered Cash
 Regulatory Basis
 For the Year Ended December 31, 2014

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
General Funds							
General	\$ 10,672	0	\$ 140,461	\$ 94,510	\$ 56,623	\$ 6,863	\$ 63,486
Special Purpose Funds							
Special highway	51,908	0	16,461	3,418	64,951	0	64,951
Special Parks and Recreation	1,681	0	0	257	1,424	22	1,446
Trash	2,887	0	36,214	34,105	4,996	3,219	8,215
Wastewater Grant	0	0	848,120	848,120	0	0	0
Capital improvement reserve	5,000	0	0	0	5,000	0	5,000
Equipment Reserve	9,909	0	0	0	9,909	0	9,909
Water utility reserve	147,889	0	5,000	0	152,889	0	152,889
Sewer utility reserve	1,032	0	3,000	0	4,032	0	4,032
Business Funds:							
Water Utility	79,706	0	72,492	70,690	81,508	7,413	88,921
Sewer Utility	23,520	0	74,128	24,686	72,962	1,029	73,991
Capital Project							
Wastewater project	0	0	137,337	137,237	100	0	100
Total Reporting Entity	\$ 334,204	0	\$ 1,333,213	\$ 1,213,023	\$ 454,394	\$ 18,546	\$ 472,940
Composition of Cash							
					Checking Accounts		\$ 411,137
					Savings Accounts		36,685
					Certificates of Deposit		25,118
					Total Reporting Entity		\$ 472,940

The notes to the financial statements are an integral part of this statement.

CITY OF OZAWKIE, KANSAS

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies

Financial Reporting Entity

The City of Ozawkie is a municipal corporation governed by an elected six member council. The City as an entity has been defined to include, on a combined basis, (a) the City of Ozawkie, Kansas (b) organizations for which the City of Ozawkie, Kansas is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the City of Ozawkie, Kansas are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Fund Descriptions

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following types of funds comprise the financial activities of the City for the year 2014:

Governmental Funds

General Fund - The chief operating fund. Used to account for the resources except those required to be accounted for in another fund.

Special Purpose Funds - Used to account for the proceeds of specific tax levies and other specific revenue sources (other than Capital Project and tax levies for long term debt) that are intended for specified purposes.

Business Funds – funds financed in whole or in part by fees charged to users for goods or services (i.e. enterprise and internal service fund ect.)

Capital Project Funds – used to account for the debt proceeds and other financial resources to be used for acquisition or construction of major capital facilities or equipment.

CITY OF OZAWKIE, KANSAS

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America

The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The municipality has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the statutory basis of accounting.

Reimbursed Expenses

Reimbursed expenses are defined as repayments of amounts remitted on behalf of another party. All reimbursed expenses shown in the financial statements meet the following criteria: 1) the related disbursement was made in the current year on behalf of the payee, 2) the item paid for was directly identifiable as having been used by or provided to the payee, and 3) the amount of the reimbursed expense was directly tied to the amount of the original cash disbursement.

Budgetary Information

Kansas Statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds, and business funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

CITY OF OZAWKIE, KANSAS

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (continued)

Budgetary Information (continued)

1. Preparation of the budget for the succeeding calendar year on or before August 1st
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in regulatory receipts other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. No budget amendments were noted for the current year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which regulatory receipts are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances with disbursements being adjusted for the prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

CITY OF OZAWKIE, KANSAS

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Budgetary Information (Continued)

A legal operating budget is not required for capital projects funds, trust funds and the following special purpose funds: 1) Wastewater Grant, 2) Capital Improvement Reserve, 3) Equipment Reserve, 4) Water Utility Reserve, and 5) Sewer Utility Reserve.

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

Inventories and Prepaid Expenses

Inventories and prepaid expenses which benefit future periods are recorded as expenditures.

Use of Estimates

The process of preparing financial statements requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates relate primarily to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 – Deposits and Investments

K.S.A. 9-1401 establishes the depositories which may be used by the government. The statute requires banks eligible to hold the government's funds have a main or branch bank in the county in which the government is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The government has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the government's investments of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The government has no investment policy that would further limit its investment choices.

CITY OF OZAWKIE, KANSAS

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – Deposits and Investments (Continued)

Concentration of Credit Risk

State statutes place no limit on the amount the government may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and K.S.A. 9-1405.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. State statutes require the government's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. All deposits were not legally secured at December 31, 2014.

At December 31, 2014, the government's carrying amount of deposits was \$472,940 and the bank balance was \$475,155. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$250,000 was covered by federal depository insurance and the balance was collateralized with securities held by the pledging financial institutions' agents in the government's name.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

NOTE 3 – Defined Benefit Pension Plan

Plan Description – The City of Ozawkie, Kansas participates in the Kansas Public Employees Retirement System (KPERS). Both are part of a cost sharing multiple-employer defined benefit pension plan as provided by Kansas law. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report (only one is issued) that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas; Topeka, KS 66603) or by calling 1-888-275-5737.

CITY OF OZAWKIE, KANSAS

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – Defined Benefit Pension Plan (continued)

Funding Policy – K.S.A. 74-4919 and K.S.A. 74-49,210 establishes the KPERS member-employee contribution rates. Effective July 1, 2009 KPERS has two benefit structures and funding depending on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate of 4% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. The employer collects and remits member-employee contributions according to the provisions of section 414 (h) of the Internal Revenue Code. Kansas law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates.

Net Pension Liability – The total pension liability for KPERS was determined by an actuarial valuation as of December 31, 2013, which rolled forward to June 30, 2014. As of June 30 2014 the net pension liability for KPERS was \$8,291,794,910. KPERS has determined the District's proportionate share of the net pension liability is \$-0- as of June 30, 2014. The complete actuarial valuation report including all actuarial assumptions and methods is publically available on the website www.kpers.org or can be obtained as described in the first paragraph above.

NOTE 4 – Risk Management

The City is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the City carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 5 – Stewardship, Compliance and Accountability

We noted no violations of Kansas Statutes, for the period under audit

NOTE 6 – Compensated Absences

Vacation leave shall be earned, beginning with the date of employment under the conditions hereinafter stated. An employee who works fewer than 12 days in any month shall not accrue vacation credit for such month of service; provided that this restriction of 12 days shall not apply if the employee has worked fewer than 12 days due to authorized vacation or sick leave.

CITY OF OZAWKIE, KANSAS

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – Compensated Absences (continued)

No employee shall be permitted to use vacation time for any period spent on unauthorized leave

Full-time employees and part-time employees who are employed to work at least 20 hours or more per week, shall be entitled to sick leave with pay for absences resulting from illness, injuries, accidents, or other physical incapacity, occurring either on or off the job. No employees shall be permitted to use sick leave for any period spent on unauthorized leave.

NOTE 7 – Interfund Transactions

Operating transfers were as follows:

From	To	Statutory Authority	Amount
Water	Reserve Fund	12-825-d	\$ 5,000
Sewer	Sewer Fund	12-825-d	3,000

NOTE 8 – Other Post Employment Benefits

As provided by K.S.A. 12-5040, the local government allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the local government is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the government makes health care available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the government under this program.

NOTE 9 – Subsequent Events Review

Subsequent events for management's review have been evaluated through December 14, 2015. The date in the prior sentence is the date the financial statements were available to be issued.

CITY OF OZAWKIE, KANSAS

NOTES TO FINANCIAL STATEMENTS

NOTE 10 – Capital Projects

On August 10, 2015 the City entered into an agreement for a \$3,800,000 loan from Kansas Rural Water Association for completion of the sewer improvements upgrades.

	<u>Expenditures To Date</u>	<u>Project Authorization</u>
Sewer Improvements	\$ 137,237	\$ 3,800,000

NOTE 11 – Long Term Debt

The schedule of long term debt and current maturities for the next five years is detailed in the following schedule.

CITY OF OZAWKIE, KANSAS
Statement of Changes in Long-Term Debt
For the Year Ended December 31, 2014

Note 11 - Long Term Debt

Changes in long-term liabilities for the City for the year ended December 31, 2014 were as follows:

Issue	Interest Rate	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
General Obligation Bonds										
Capital Leases										
Kansas Department of Health and Environment	2.37%	6/2/14	\$ 848,120	3/1/35	0	848,120		848,120	848,120	
Total Long Term Debt					<u>\$ 0</u>	<u>\$ 848,120</u>	<u>\$ 0</u>	<u>\$ 848,120</u>	<u>\$ 848,120</u>	<u>\$ 0</u>
Current maturities of long-term debt and interest for the next five years and in five year increments through maturity are as follows:										
	2015	2016	2017	2018	2019	2020-2024	2025-2029	2030-2034	2035	Totals
Principal										
General Obligation Bonds	\$									\$ 0
Special Assessment Bonds										0
Certificates of Participation										0
Capital Leases	16,266	33,174	34,049	34,947	35,869	194,042	221,013	251,735	27,025	848,120
Revenue Bonds										0
No-Fund Warrants										0
Temporary Notes										0
Total Principal	<u>16,266</u>	<u>33,174</u>	<u>34,049</u>	<u>34,947</u>	<u>35,869</u>	<u>194,042</u>	<u>221,013</u>	<u>251,735</u>	<u>27,025</u>	<u>848,120</u>
Interest										
General Obligation Bonds										0
Special Assessment Bonds										0
Certificates of Participation										0
Capital Leases	10,050	19,519	18,728	17,916	17,083	72,116	47,717	19,926	326	223,381
Revenue Bonds										0
No-Fund Warrants										0
Temporary Notes										0
Total Interest	<u>10,050</u>	<u>19,519</u>	<u>18,728</u>	<u>17,916</u>	<u>17,083</u>	<u>72,116</u>	<u>47,717</u>	<u>19,926</u>	<u>326</u>	<u>223,381</u>
Total Principal and Interest	<u>\$ 26,316</u>	<u>\$ 52,693</u>	<u>\$ 52,777</u>	<u>\$ 52,863</u>	<u>\$ 52,952</u>	<u>\$ 266,158</u>	<u>\$ 268,730</u>	<u>\$ 271,661</u>	<u>\$ 27,351</u>	<u>\$ 1,071,501</u>

City of Ozawkie, Kansas
Regulatory-Required
Supplementary Information
For the year ended December 31, 2014

CITY OF OZAWKIE, KANSAS
Summary of Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2014

Funds	Certified Budget	Adjustments to Comply with Legal Max	Adjustments for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance - Over (Under)
<u>Governmental Type Funds</u>						
General Funds						
General	\$ 131,175	\$ 0	\$ 0	\$ 131,175	\$ 94,510	\$ (36,665)
<u>Special Purpose Funds</u>						
Special highway	31,525	0	0	31,525	3,418	(28,107)
Special parks and recreation	575	0	0	575	257	(318)
Trash	34,300	0	0	34,300	34,105	(195)
<u>Business Funds</u>						
Water utility	72,035	0	0	72,035	70,690	(1,345)
Sewer utility	28,405	0	0	28,405	24,686	(3,719)

CITY OF OZAWKIE, KANSAS
GENERAL FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2014

	Actual	Budget	Variance- Over (Under)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$ 70,215	\$ 70,476	\$ (261)
Delinquent tax	769		769
Motor vehicle tax	11,444	10,668	776
RV tax	212	182	30
16/20M vehicle tax	62	101	(39)
Franchise fees	24,042	20,750	3,292
Sales tax	27,197	25,575	1,622
Licenses, rent, permits	565	1,050	(485)
Legal, State claim	3,639		3,639
Interest income	728	850	(122)
Miscellaneous revenues	1,588	1,320	268
Operating transfers			0
Total Cash Receipts	<u>140,461</u>	<u>130,972</u>	<u>9,489</u>
EXPENDITURES			
Personnel services	57,116	57,125	(9)
Employee benefit	1,596	4,475	(2,879)
Rent/Repairs/Supplies/Office expenses	9,871	14,010	(4,139)
Professional services	5,872	5,475	397
Utility/electricity	5,798	3,725	2,073
Streets/Sidewalks		30,000	(30,000)
Insurance	3,368	3,175	193
Parks/Community center	805	3,500	(2,695)
Auto/Publications/Misc.	6,852	9,690	(2,838)
Trash	2,000		2,000
Capital outlay	1,232		1,232
Operating transfers			0
Adjustment for qualifying budget credits			0
Total Expenditures	<u>94,510</u>	<u>\$ 131,175</u>	<u>\$ (36,665)</u>
Receipts Over (Under) Expenditures	45,951		
Unencumbered Cash, Beginning	10,672		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 56,623</u>		

CITY OF OZAWKIE, KANSAS
SPECIAL HIGHWAY FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2014

	<u>Actual</u>	<u>Budget</u>	Variance- Over (Under)
CASH RECEIPTS			
Intergovernmental revenues	\$ 16,461	\$ 16,650	\$ (189)
Operating transfers			<u>0</u>
Total Cash Receipts	<u>16,461</u>	<u>16,650</u>	<u>(189)</u>
EXPENDITURES			
Highways and streets			
Personnel services			0
Commodities	3,418	1,525	1,893
Contractual		30,000	(30,000)
Operating transfers			0
Adjustment for qualifying budget credits			<u>0</u>
Total Expenditures	<u>3,418</u>	<u>\$ 31,525</u>	<u>\$ (28,107)</u>
Receipts Over (Under) Expenditures	13,043		
Unencumbered Cash, Beginning	51,908		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 64,951</u>		

CITY OF OZAWKIE, KANSAS
SPECIAL PARKS AND RECREATION FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2014

	<u>Actual</u>	<u>Budget</u>	Variance- Over (Under)
CASH RECEIPTS			
Miscellaneous revenues	\$	\$	\$ 0
Operating transfers			<u>0</u>
Total Cash Receipts	<u>0</u>	<u>0</u>	<u>0</u>
EXPENDITURES			
Commodities	257	575	(318)
Capital outlay			0
Operating transfers			0
Adjustment for qualifying budget credits			<u>0</u>
Total Expenditures	<u>257</u>	<u>\$ 575</u>	<u>\$ (318)</u>
Receipts Over (Under) Expenditures	(257)		
Unencumbered Cash, Beginning	1,681		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 1,424</u>		

CITY OF OZAWKIE, KANSAS
 TRASH FUND
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2014

	Actual	Budget	Variance- Over (Under)
CASH RECEIPTS			
Charges for services	\$ 36,214	\$ 32,250	\$ 3,964
Operating transfers			0
	<u>36,214</u>	<u>32,250</u>	<u>3,964</u>
Total Cash Receipts			
	<u>36,214</u>	<u>32,250</u>	<u>3,964</u>
EXPENDITURES			
Production			
Commodities		600	(600)
Contractual	34,105	33,700	405
Operating transfers			0
Adjustment for qualifying budget credits			0
	<u>34,105</u>	<u>34,300</u>	<u>(195)</u>
Total Expenditures			
	<u>34,105</u>	<u>\$ 34,300</u>	<u>\$ (195)</u>
Receipts Over (Under) Expenditures	2,109		
Unencumbered Cash, Beginning	2,887		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 4,996</u>		

CITY OF OZAWKIE, KANSAS
WATER UTILITY FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2014

	Actual	Budget	Variance- Over (Under)
CASH RECEIPTS			
Charges for services	\$ 53,156	\$ 63,750	\$ (10,594)
Surcharge	19,139	19,450	(311)
Miscellaneous revenues	197	125	72
Operating transfers	<u>0</u>	<u>0</u>	<u>0</u>
Total Cash Receipts	<u>72,492</u>	<u>83,325</u>	<u>(10,833)</u>
EXPENDITURES			
Production			
Personnel services	25,743	26,025	(282)
Commodities	35,263	35,825	(562)
Contractual	4,684	5,185	(501)
Capital outlay			0
Operating transfers	5,000	5,000	0
Adjustment for qualifying budget credits	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>70,690</u>	<u>\$ 72,035</u>	<u>\$ (1,345)</u>
Receipts Over (Under) Expenditures	1,802		
Unencumbered Cash, Beginning	79,706		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 81,508</u>		

CITY OF OZAWKIE, KANSAS
SEWER UTILITY FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2014

	Actual	Budget	Variance- Over (Under)
CASH RECEIPTS			
Charges for services	\$ 74,128	\$ 48,408	\$ 25,720
Interest income			0
Miscellaneous revenues			0
Operating transfers			0
	<u>74,128</u>	<u>48,408</u>	<u>25,720</u>
Total Cash Receipts			
EXPENDITURES			
Production			
Personnel services	9,319	7,275	2,044
Commodities	7,746	14,575	(6,829)
Contractual	4,621	3,555	1,066
Capital outlay			0
Debt service			0
Operating transfers	3,000	3,000	0
Adjustment for qualifying budget credits			0
	<u>24,686</u>	<u>\$ 28,405</u>	<u>\$ (3,719)</u>
Total Expenditures			
Receipts Over (Under) Expenditures	49,442		
Unencumbered Cash, Beginning	23,520		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 72,962</u>		

CITY OF OZAWKIE, KANSAS
 ANY NONBUDGETED FUNDS
 Schedule of Receipts and Expenditures
 Regulatory Basis
 For the Year Ended December 31, 2014

	Wastewater Grant	Capital Improvement
CASH RECEIPTS		
Federal grants	\$ 848,120	\$
State aid/grants		
Miscellaneous income		
Operating transfers		
	<u>848,120</u>	<u>0</u>
Total Cash Receipts		
EXPENDITURES		
Operations		
Capital outlay	848,120	
Operating transfers		
Adjustment for qualifying budget credits		
	<u>848,120</u>	<u>0</u>
Total Expenditures		
Receipts Over (Under) Expenditures	0	0
Unencumbered Cash, Beginning	-	5,000
Prior Year Cancelled Encumbrances	<u>0</u>	<u>0</u>
Unencumbered Cash, Ending	<u><u>\$ 0</u></u>	<u><u>\$ 5,000</u></u>

CITY OF OZAWKIE, KANSAS
 ANY NONBUDGETED FUNDS
 Schedule of Receipts and Expenditures
 Regulatory Basis
 For the Year Ended December 31, 2014

	<u>Equipment Reserve</u>	<u>Water Utility Reserve</u>	<u>Sewer Utility Reserve</u>
CASH RECEIPTS			
Federal grants	\$	\$	\$
State aid/grants			
Miscellaneous revenues			
Operating transfers	<u> </u>	<u>5,000</u>	<u>3,000</u>
Total Cash Receipts	<u>0</u>	<u>5,000</u>	<u>3,000</u>
EXPENDITURES			
Operations			
Capital outlay			
Operating transfers			
Adjustment for qualifying budget credits	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Receipts Over (Under) Expenditures	0	5,000	3,000
Unencumbered Cash, Beginning	9,909	147,889	1,032
Prior Year Cancelled Encumbrances	<u>0</u>	<u>0</u>	<u>0</u>
Unencumbered Cash, Ending	<u>\$ 9,909</u>	<u>\$ 152,889</u>	<u>\$ 4,032</u>

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Karlin & Long, LLC
Certified Public Accountants

The Honorable Mayor and City Council
524 Kiowa
Ozawkie, Kansas 66070

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of City of Ozawkie, Kansas, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise City of Ozawkie, Kansas's basic financial statements, and have issued our report thereon dated December 14, 2015. The auditor report included an adverse opinion the GAAP basis due to the preparation of the financial statements on the regulatory basis of accounting in the State of Kansas

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Ozawkie, Kansas's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Ozawkie, Kansas's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Ozawkie, Kansas's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

City Council
City of Ozawkie, Kansas

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Ozawkie, Kansas financial statements are free of material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Karlin & Long LLC
Certified Public Accountants

December 14, 2015